



CIMCO

Fifty-sixth Annual Report-1968



TO THE SHAREHOLDERS

Our expectation for 1968, as stated at the conclusion of the 1967 report, was that the results for the year would compare favourably with those of the past five years. In fact, the net profit for the year was approximately the average of the annual earnings in that five-year period.

Year	Net Profit \$	Per Share of		Dividends to	
		Class "A"	Common	Class "A"	Common
		\$	\$	\$	\$
1963	187,692	7.51	3.35	20,000	-
1964	209,119	8.36	3.44	20,000	22,000
1965	254,203	10.17	4.26	20,000	22,000
1966	326,195	13.05	5.26	20,000	34,650
1967	291,928	11.67	4.43	23,750	54,450
Avg.	253,827	10.15	4.15	20,750	26,620
1968	259,877	10.39	3.88	25,000	60,500

While both sales and profit were down from 1966 and 1967, we feel, nevertheless, that the year recorded some worthwhile accomplishments. Gross profit, as a percentage of billings, improved over the previous years, reflecting a renewed emphasis on job cost control and marketing selectivity. Net profit, however, was reduced by the heavy depreciation charge and the treatment of deferred income taxes. The average backlog for the last five years has been \$7,027,631; our carryover entering 1969 is \$8,494,127.

As 1968 opened, our program for remodelling and extending the plant and head offices at Villiers Street was just beginning. The new plant and offices were not ready until September and the renovation of the old structure was not completed until the end of November. Throughout the period of construction, the business of the Company was carried on at Villiers Street in as close to normal fashion as was possible in the circumstances.

The disruption to the productive effort of our people, however, was considerable, as were the demands imposed upon those responsible for planning and organizing the many moves and alterations. Never have we been more grateful to our splendid staff for their loyalty and devotion than during these genuinely trying days in 1968. Their perseverance and patience enabled us to complete the project and, at the same time, record a satisfactory result for the year.

There is clear indication, at this time, of renewed strength in capital spending by business in 1969. This expected activity and the attendant stimulus to consumer income spell opportunity for our Company. With our new and enlarged facilities, strong financial position, and exceptionally capable personnel in engineering, manufacturing, construction and administration, we were never better equipped to serve the burgeoning Canadian demand for the luxuries as well as the necessities of life.

We look forward to the continuation, in 1969, of the success we have enjoyed in the last six years.

On behalf of the Board

Walter L. Anaro
President

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Sales	\$15,479,866	\$17,412,954
Cost of sales, selling, general and administrative expenses (including interest on long-term debt 1968, \$6,406; 1967, \$8,031)	14,931,782	16,816,698
Income before income taxes	548,084	596,256
Income taxes		
Current	278,000	308,000
Deferred (note 4)	10,207	(3,672)
	288,207	304,328
Net income for the year	\$ 259,877	\$ 291,928

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Balance at beginning of year		
As previously reported	\$ 2,112,611	\$ 1,907,211
Adjustment for deferred income taxes (note 4)	68,990	65,318
As restated	2,181,601	1,972,529
Net income for the year	259,877	291,928
	2,441,478	1,264,457
Dividends paid		
Class "A", \$1 per share (95¢ in 1967)	25,000	23,750
Common, \$1 per share (90¢ in 1967)	60,500	54,450
	85,500	78,200
Loss of sale on subsidiary company		4,656
	85,500	82,856
Balance at end of year	\$ 2,355,978	\$ 2,181,601

AUDITOR'S REPORT

To the Shareholders of Cimco Limited

We have examined the consolidated balance sheet of Cimco Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect in that year to the change in accounting practice explained in note 4 with which change we concur.

Toronto, Canada
February 20, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSEN
Chartered Accountants



Consolidated Balance Sheet - DECEMBER 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

Current Assets	1968	1967
Cash	\$ 2,300	\$ 258,381
Term deposits	750,000	
Accounts receivable and advances (note 2)	3,215,982	3,839,556
Tender deposits	286,805	5,430
Note receivable, 6%		200,000
Inventories, at lower of cost and market (note 3)	1,088,459	916,662
Life insurance, cash surrender value	17,639	15,132
Prepaid expenses	55,524	44,347
Deferred income tax charges relating to guarantees and inventories (note 4)	43,301	41,721
	<u>5,460,010</u>	<u>5,321,229</u>
 Fixed Assets, at cost (note 5)		
Land	15,113	15,113
Buildings	892,725	255,657
Machinery and equipment	321,842	278,265
Furniture and fixtures	220,655	191,429
Automotive equipment	73,210	54,743
	<u>1,523,545</u>	<u>795,207</u>
Less accumulated depreciation	526,734	545,471
	<u>996,811</u>	<u>249,736</u>
Other Assets (note 6)	<u>192,630</u>	<u>198,551</u>
 Approved by the Board		
Director, Walter L. Pharo		
Director, Wesley L. B. Watts	<u>\$6,649,451</u>	<u>\$5,769,516</u>

LIABILITIES

<i>Current Liabilities</i>	<i>1968</i>	<i>1967</i>
Bank advances	\$ 550,330	\$ 134,000
Accounts payable and accrued liabilities (note 7)	2,773,457	2,804,461
Income and refundable taxes payable	51,379	202,448
Dividends payable	21,375	21,375
Estimated liability for guarantees	45,000	45,000
Principal instalments due within one year on long-term debt	99,558	28,824
	<u>3,541,099</u>	<u>3,236,108</u>
<i>Long-Term Debt</i> (note 8)	596,082	124,781
Less principal instalments included in current liabilities	99,558	28,824
	<u>496,524</u>	<u>95,957</u>

SHAREHOLDERS' EQUITY

<i>Capital Stock</i> (note 9)		
Authorized		
50,000 Class "A" non-redeemable participating shares, par value \$1 each, entitled to cumulative preferential annual dividends of 80¢ per share		
100,000 Common shares, par value \$1 each		
Issued		
25,000 Class "A" shares	25,000	25,000
60,500 Common shares	60,500	60,500
	<u>85,500</u>	<u>85,500</u>
<i>Premium received on shares issued</i>	170,350	170,350
<i>Retained Earnings</i>	2,355,978	2,181,601
	<u>2,611,828</u>	<u>2,437,451</u>
	<u>\$6,649,451</u>	<u>\$5,769,516</u>



The building pictured above is at the southeast corner of Villiers and Munitions Streets, Toronto, Cimco's home address for half a century. Those familiar with the location will, we are sure, be impressed with the dramatic changes that took place there last year. It is difficult to realize, studying the face of the present structure, that the portion from the corner to the main entrance is fifty years old. This part was completely renovated in 1968 and, at the same time, a new building of approximately the same size was added thereto.

The two-storey section houses the executive offices and the administrative staffs of the refrigeration, mechanical and manufacturing divisions as well as the Toronto district office. Containing approximately 21,000 square feet, the offices were planned to meet the needs of our expanding activity for many years to come.

The single storey area, which continues from the office to the southern extremity of the property, accommodates the manufacturing division and the central pool stock. All operations have benefitted greatly from the building program, but none more than the materials control department. Whereas before, inventory and equipment were scattered throughout several small buildings on this property and at two other locations, now all the stock and the construction tools are conveniently stored in one area within the main building.

The manufacturing division benefits as well, not only from an enlarged working area but from the complete reorganization of production

The engineering department and manufacturing division administrative staff occupy the ground floor of the renovated original building.

All inventory is now in one area. Shown below is the contract assembly floor in the materials control department.





lines. Raw materials are now delivered to the receiving doors on the west side of the building and finished goods are shipped out by the entrance at the northeast corner of the building on Villiers Street.

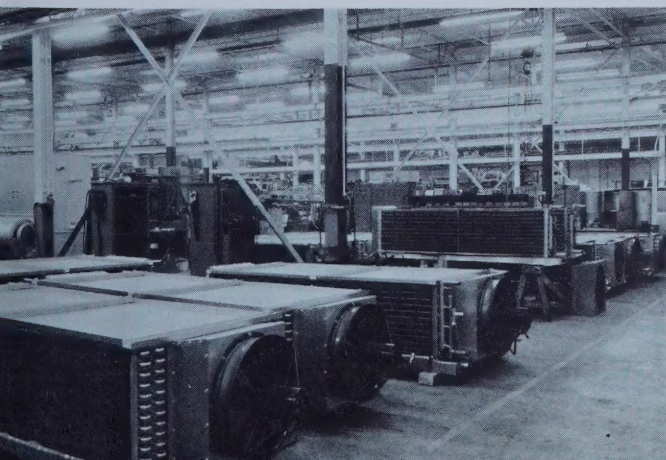
To the east of the new building a paved parking lot accommodating 100 automobiles has been made possible by removing from our yard the functions of receiving and shipping and by closing the area to transports.

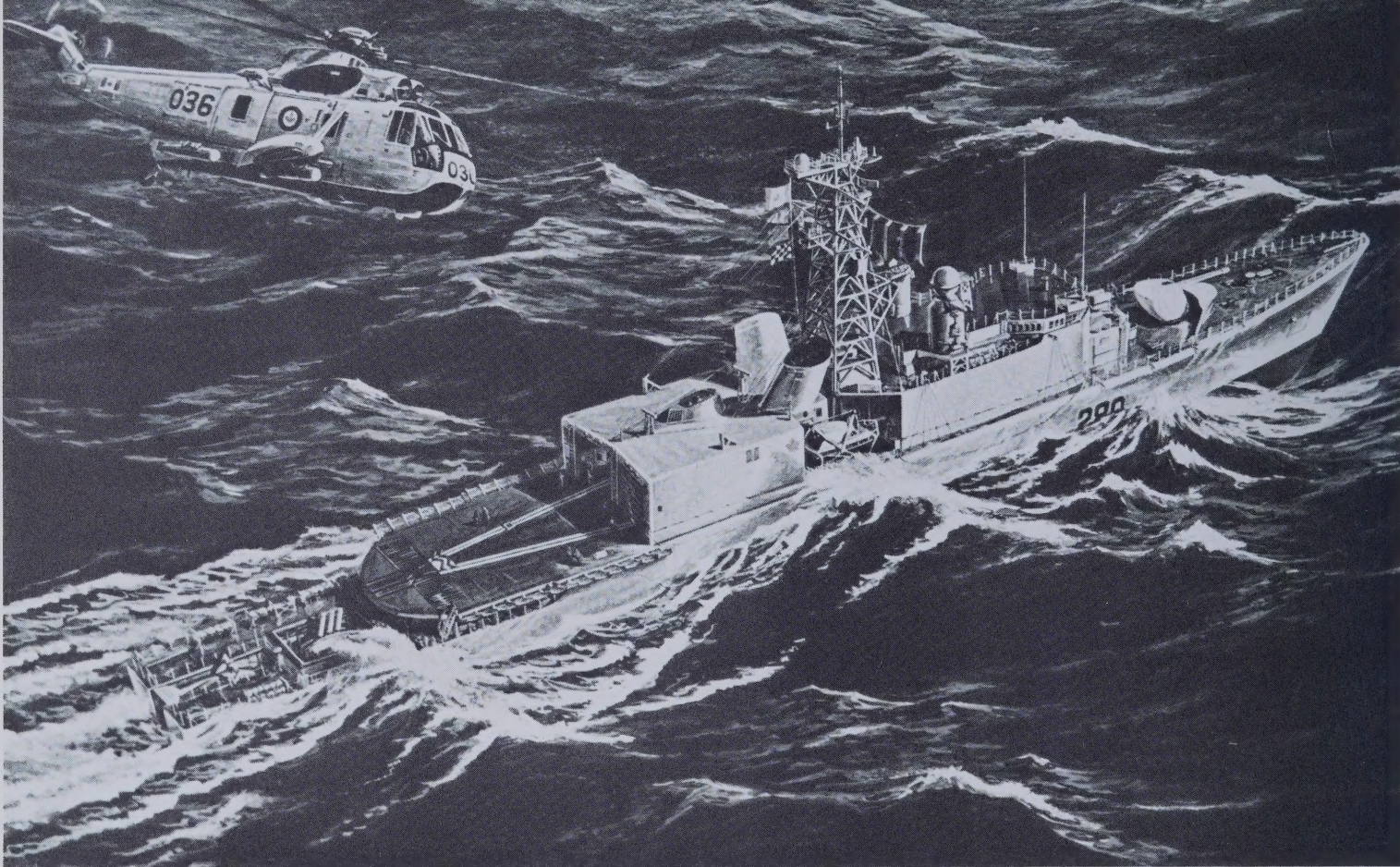
The renovation program in the original building has been completely successful. Such effective use has been made of dropped ceilings, new lighting, repainting and new floor coverings that it is difficult to tell, whether in office or shop, when one is passing from the old to the new. The heating, cooling and ventilating systems, naturally, were replaced throughout, with particular consideration given to the latest techniques of filtering and humidification,

While the overall project cost a great deal of money, we are confident that dividends will be realized in a variety of ways. We have been very fortunate in having and maintaining a staff who were loyal and efficient when working conditions were difficult; now that they have a clean, modern place in which to work, with the finest of tools, equipment, lighting and furnishings, they will finally have the opportunity to perform at their very best.

In the foreground in this view of the new shop two Cimco custom designed air units are nearing completion.

Project managers now have ample room to store and spread their drawings. Shown here are the offices of the mechanical contracting division.





We are mechanical contractors of industrial refrigeration, air conditioning, plumbing, heating, marine application, process piping and millwrighting, all of which is supported by a strong engineering and manufacturing organization.

This effort is typified in our long association with the Royal Canadian Navy and the work we have done for them for many years, plus our current work on their four new destroyer-helicopter ships classified as DDH-280 series.

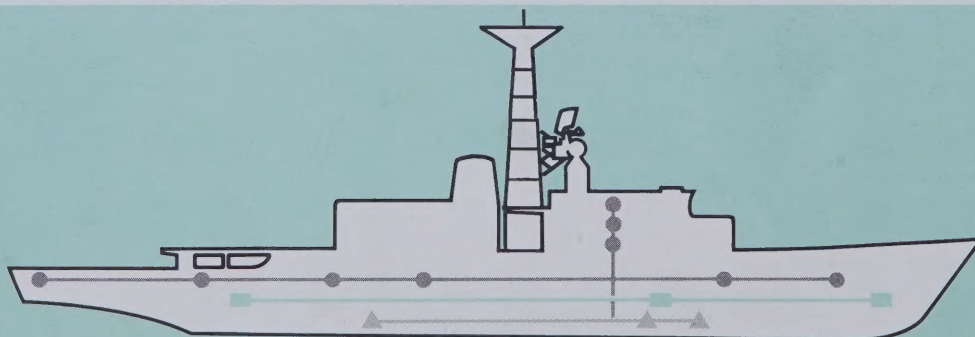
The Navy's advanced standards of shock, noise, vibration and flexibility are tough. The ventilation and air conditioning system in this class of ship is designed for a pressurized system (Citadel) and with ventilation filtration systems designed to protect personnel in living and work spaces from exterior air-borne contaminants or warfare agents. Recirculating air-filtration systems, in addition, maintain a high air-purity standard by removal of dust-bound contaminants, galley (cooking) odours and tobacco smoke.

If part of the ship is incapacitated the remainder of the ship must carry on. Since space limitations precluded duplicating equipment, Cimco's design provides hot and cold water to the various zones of the ship, so that any zone can operate independently of the others, or any combination of zones can operate together, and under all circumstances provide individual temperature control in each occupied space.

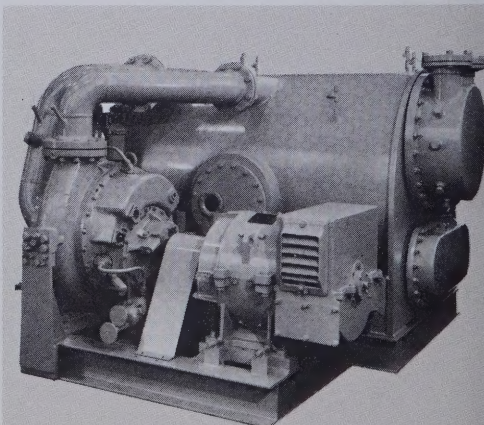
The scope of this project has required a computer program and the combined efforts of Cimco's head office, its engineering and manufacturing divisions, and its Ottawa and Montreal district offices.

Schematic section through Royal Canadian Navy DDH-280 Destroyer,

- - Pumps, fans, ducts, water and air distribution.
- - Heating, cooling, ventilating equipment.
- ▲ - Main liquid chilling plants.



One of twelve chilling units manufactured by Cimco for DDH-280 project.





CIMCO DISTRICT OFFICES

6211 Lady Hammond Road
HALIFAX, Nova Scotia

9320 Charles de Latour St.
MONTREAL, Quebec

387 Bell Street
OTTAWA 1, Ontario

65 Villiers Street
TORONTO 2, Ontario

1130 Elias Street
LONDON, Ontario

1112 Notre Dame Avenue
WINNIPEG 3, Manitoba

526 - 44th Street East
SASKATOON, Saskatchewan

2218 Pasqua Street
REGINA, Saskatchewan

4335 Manhattan Road, S.E.
CALGARY, Alberta

10568 - 109th Street
EDMONTON, Alberta

2150 Fir Street
VANCOUVER 9, B.C.

Cimco products and services are distributed across Canada through the district offices and shops listed at upper right beside the photograph of our Edmonton office.

We have chosen Edmonton as our example, since the renovation there in 1968, coinciding with the work done at Villiers Street also in 1968, brought to completion a program, begun 5 years ago, for the improvement of our premises across the country. At Edmonton, rather than abandon a favorable mid-town location, we remodelled the existing offices and shop and added a second storey, a contingency we had provided for in the original plans. A concurrent program to provide new furniture and equipment in all district offices is also nearing completion.

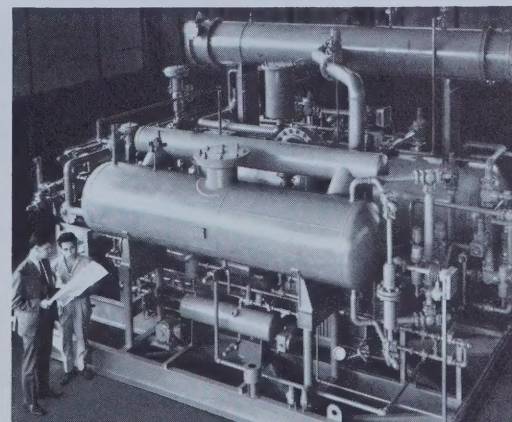
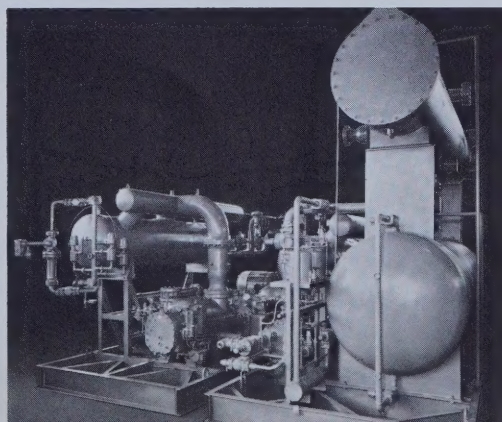
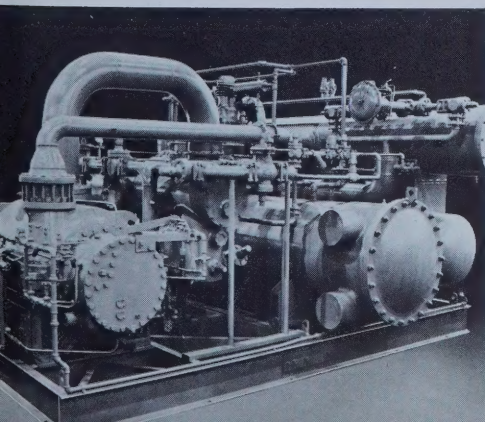
Counted among Cimco's customers are the 'Who's Who' of Canadian business including, in addition to the Royal Canadian Navy, those in dairy and ice cream production; meat, fish, poultry and vegetable processing; food products manufacturing; cold storage warehousing and distribution; ice rinks and arenas; hospitals; water treating plants and pumping stations; sewage disposal; industrial manufacturing plants; petroleum and chemical production and many others.

Following recent trends in industry, Cimco's engineering and manufacturing divisions are expanding their activities in the design and prefabrication of mechanical assemblies for better quality control and space saving compactness of systems installed for our users. Illustrated below are just a few examples of systems recently provided for some of our nationally known customers.

900 Horsepower steam turbine driven unit
for Canadian Celanese Company, Drum-
mondville, Quebec.

950 Horsepower minus 55° F refrigerant
temperature unit for Dow Chemical Ltd.,
Ft. Saskatchewan, Alberta.

500 Horsepower unit with compressor oper-
ating at 8150 RPM for Imperial Oil Ltd.,
Sarnia, Ontario.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 1968

1. BASIS OF CONSOLIDATION

The subsidiaries, which are wholly owned, are the following:

National-Shipley Ltd.

Certified Maintenance (Quebec) Limited

Application has been made to the Province of Ontario to wind up Certified Maintenance (Quebec) Limited in 1969.

Ryan Brothers Equipment Limited a subsidiary which was consolidated in 1967 was wound up by surrender of its charter in 1968.

2. ACCOUNTS RECEIVABLE AND ADVANCES

	1968	1967
Trade	\$3,226,419	\$3,958,641
Employees	22,047	20,534
Advance on Edmonton Building program		6,635
Claims receivable	95,532	42,419
	<u>3,343,998</u>	<u>4,028,229</u>
Less allowance for doubtful accounts	128,016	188,673
	<u>\$3,215,982</u>	<u>\$3,839,556</u>

3. INVENTORIES

Raw materials	\$ 451,940	\$ 459,048
Finished goods	4,840	9,951
	<u>456,780</u>	<u>468,999</u>
Work and contracts in progress, unabsorbed cost less progress billings thereon	631,679	447,663
	<u>\$1,088,459</u>	<u>\$ 916,662</u>

4. DEFERRED INCOME TAX CHARGES

In prior years the company has charged earnings with income taxes currently payable. In 1968 the basis of accounting for income taxes was changed to reflect the tax effect of the difference between amounts charged in the financial statements over allowances claimed for income tax purposes. The 1967 figures have been restated to be on a comparable basis with those of 1968.

Deferred income tax charges accumulated to December 31, 1966 have been recorded by a credit to retained earnings of \$65,318.

5. FIXED ASSETS

Buildings with a net book value of \$684,742 are situated on leasehold land.

6. OTHER ASSETS

Excess of cost of shares of subsidiary company over net book value thereof at acquisition

Bills receivable, not currently due	\$ 69,863	\$ 69,863
Investment in other companies, at cost	86,347	70,467
Advance on Toronto building program	7,592	9,092
Special refundable tax		7,802
Deferred income tax charges (note 4)	13,345	14,058
	15,483	27,269
	<u>\$ 192,630</u>	<u>\$ 198,551</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade	\$2,647,810	\$2,698,391
Taxes other than income and refundable	125,647	106,070
	<u>\$2,773,457</u>	<u>\$2,804,461</u>

8. LONG-TERM DEBT

Term bank loan, secured by a floating charge on the assets of the company subject to the prior rights of the Series "B" debentures

5½% sinking fund debentures, Series "B" requiring deposits of \$25,000 annually to 1971	\$ 500,000	
Mortgages payable	75,000	\$ 100,000
	21,082	24,781
	<u>\$ 596,082</u>	<u>\$ 124,781</u>

The term bank loan which is payable on demand was negotiated to provide funds for capital expansion. Arrangements have been made for instalment payments with the unpaid balance due in 1975.

9. CAPITAL STOCK

Payment of dividends on Class "A" and common shares is subject to certain restrictions under the terms of the Supplementary Letters Patent and the trust indenture securing the Series "B" debentures.

10. LONG-TERM RENTAL OBLIGATIONS

Rentals under agreements which extend beyond five years from the balance sheet date aggregate approximately \$316,477, annual rentals being approximately \$26,052.

11. OTHER INFORMATION

Remuneration of directors for their services as directors and officers of the company and subsidiaries

Depreciation	\$ 134,800	\$ 140,711
Loss on disposal of fixed assets	80,960	49,696
Other interest expense	1,959	216
	21,120	17,734

12. COMPARABILITY

Comparative figures for 1967 have been reclassified to conform with the basis of presentation used for 1968.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Source of funds		
Operations		
Net income for the year	\$ 259,877	\$ 291,928
Add items which do not involve a current outlay of funds		
Depreciation	80,960	49,696
Deferred income taxes (note 4)	11,786	2,060
	<u>352,623</u>	<u>343,684</u>
Decrease in note receivable, not currently due		200,000
Decrease in bills receivable, not currently due		23,157
Sale of investments	1,500	2,130
Sale of fixed assets	4,360	1,685
Special refundable tax	713	
Term bank loan	500,000	
	<u>859,196</u>	<u>570,656</u>
Application of funds		
Dividends on		
Class A shares	25,000	23,750
Common shares	60,500	54,450
Purchase of fixed assets	824,593	19,836
Decrease in non-current portion of long-term debt	99,433	28,954
Advance on building program		7,802
Loss on sale of subsidiary company		4,656
Special refundable tax		3,278
Increase in bills receivable, not currently due	15,880	
	<u>1,025,406</u>	<u>142,726</u>
Increase (decrease) in working capital	(166,210)	427,930
Working capital at beginning of year, as restated	2,085,121	1,657,191
Working capital at end of year	<u>\$1,918,911</u>	<u>\$2,085,121</u>

BOARD OF DIRECTORS

J. Davis
President, Joseph Davis, Incorporated, Buffalo, New York.

A. G. S. Griffin
President, Triarch Corporation Limited, Toronto, Ontario

C. F. Mackenzie
Vice-Chairman, Canada Permanent Mortgage Corporation and Canada Permanent Trust Company, Toronto, Ontario

W. L. Pharo
President, Cimco Limited, Toronto, Ontario

Hon. J. Raymond, Q.C., M.L.C.
President, Alphonse Raymond Limitée, Montreal, Quebec

N. S. Robertson, Q.C.
Director, North American Life Assurance Company, Toronto, Ontario

R. S. Rose
Vice-President, Operations Administration, Cimco Limited, Toronto, Ontario

H. V. Shipley
Chairman of the Board, Cimco Limited, Toronto, Ontario

W. L. B. Watts
Vice-President and Secretary-Treasurer, Cimco Limited, Toronto, Ontario

OFFICERS

H. V. Shipley Chairman of the Board	R. S. Rose Vice-President
W. L. Pharo President	W. L. B. Watts Vice-President and Secretary-Treasurer

SOLICITORS

Robertson, Lane, Perrett, Frankish & Estey Toronto

BANKERS

The Royal Bank of Canada Toronto

TRANSFER AGENTS

Canada Permanent Trust Company Toronto

REGISTRARS

The Canada Trust Company Toronto

AUDITORS

Thorne, Gunn, Helliwell & Christensen Toronto

STOCK LISTINGS

Toronto Stock Exchange Toronto

HEAD OFFICE

65 Villiers Street Toronto

